



February 14, 2014

Written testimony of Kathleen A. Pajor, President/Administrator, of Beechwood: Post-Acute, Transitional and Long Term Care, Concerning the Governor's Midterm Budget Adjustment proposal for FY 2015

Good evening Senator Bye, Representative Walker and to the members of the Appropriations Committee. My name is Kathleen A. Pajor. I am the President and Administrator of Beechwood: Post-Acute, Transitional and Long term Care in New London, Connecticut. Beechwood has been a longstanding provider of nursing care in its community since 1955. With 30 post-acute and 30 long term beds, Beechwood has earned CMS's 5 STARS since 2010; U.S. News & World Report's: One of the Best Nursing Homes in America Recognition since 2010; American Health Care Association's Bronze Award and 4-Tier Quality Care Award.

Last session, the adopted budget right cut \$53.4 million in FY 2014 and \$81.0 million in FY 2015 from Medicaid spending estimates related to savings associated with eliminating the scheduled rebasing of rates effective July 1, 2013 and the inflation estimated for July 1, 2014. An additional proposed nursing facility funding cut of \$11.0 million in FY 2014 and \$14.8 million in FY 2015 was only partially restored, leaving a \$5 million reduction. Regrettably, under the adopted rate formula, most nursing facility rates were cut at a time when operating costs continue to move upwards, costs such as insurance, food, property taxes, wages, repairs and utilities. In New London, taxes increased on real estate, property, water and sewer.

Especially given the state surplus, these cuts were badly timed. Connecticut nursing facilities remain in a period of ongoing financial distress. Medicare reductions in 2012 were as high as 16% in many Connecticut nursing homes. Further, nursing homes were cut an additional 2% in the Medicare sequestration last year. At the state level, the gap under Medicaid between providing care and its costs is widening dramatically. This year nursing home providers will on average be reimbursed \$25.43 per patient day less than what it costs to care for our residents. For the typical nursing facility, this represents over \$500,000 per year in unfunded costs. **For Beechwood, it represents \$278,458.50.**

This clearly means a loss of jobs. WITH THE LOSS OF JOBS, THERE WILL BE DEFICIENCIES IN CARE. PLAIN AND SIMPLE. CNAS AND NURSES WILL LOSE THEIR JOBS BECAUSE

LAY-OFF IN THE SUPPORT SERVICE AREAS ALREADY OCCURRED IN 2005, 2006 AND 2010.

There has been no Medicaid rate increases in the system since 2007, except for increase made possible by raising the user fees paid by nursing homes themselves (again, cut by \$5 million last session).

The Fair Rent component of the rate formula, which incents nursing facility quality improvement, has been restored only to its 2009 level. Borrowed money to replace the roof, equipment, furnishings and install the required electronic medical record will not have the proper return on investment.

This follows a sustained period of nursing facility receiverships, bankruptcies, closures, and Medicaid hardship rate relief requests. Yet there are 1 million baby boomers in Connecticut. There are 600,000 residents in Connecticut over the age of 60. Connecticut's aging population is among the oldest in the Nation, with over 160,000 Connecticut citizens over the age of 80 according to a December 2012 report issued by the U.S. Census Bureau. Much is being asked of our nursing facilities today, and more will be asked in the future, given the dramatic aging of our population, the need to reform rates as the state continues in the direction of long term care rebalancing and rightsizing. These changes will mean that the acuity and numbers of nursing facility residents will continue to rise measurably as our population ages, even as more residents choose home and community based environments to receive their care. On average, Connecticut nursing facilities are 91% full. The notion that our nursing homes are not needed is false. While we have supported efforts to increase care at home in such programs as Money Follows the Person, we are asking the Appropriations Committee to recognize that home care is not always the best options for our rapidly aging population. Even with the emphasis on home care present today, nursing facilities will remain a critical component in the continuum of long term care, especially to prevent an avoidable readmission to a hospital.

In conclusion, we are asking the committee to address the ongoing needs of our nursing facilities. We ask you to consider skilled nursing facilities as a critical, and cost-effective, component of the future of post acute care in our state---in reducing avoidable hospital stays and in providing more transitional services for residents who will eventually go home. Toward these ends, we are asking to work with you to (1) create a payment system which incents nursing facility quality improvement with payment methods to reduce licensed beds consistent with the state's long term care rebalancing and rightsizing goals, (2) totally restore the cuts from last session; (3) continue to work to resolve the ongoing excessive delays in the Medicaid eligibility process; and finally (4) reverse the current trend of flat or reduced funding and recognize the importance of nursing facility care going forward as essential in the continuum of long term care.